

Asia Market Intelligence

Hong Kong SAR

Presence

The Hongkong and Shanghai Banking Corporation Limited (HSBC) is one of the largest banks incorporated in the Hong Kong Special Administrative Region (SAR).

The Bank provides an unrivalled range of products and services and holds a market leading position in banking technology. HSBC services the vast majority of businesses in Hong Kong. HSBC has developed strong relationships with corporate and institutional clients, based on global connections and extensive knowledge of Asia-Pacific and Asian businesses.

In addition, HSBC has been appointed as the settlement institution for Hong Kong's US dollar (USD) clearing system. Our strength has been repeatedly recognised in various citations and clean sweeps of major awards, such as Best Cash Management House in Hong Kong (*FinanceAsia*), Best Overall Bank for Cash Management in Asia (*The Asset*), as well as Best Bank for Payments and Collections (*Global Finance*).

Population:
7 million (2008)

Total Area:
1,099 sq km

Currency:
Hong Kong dollar (HKD)

Major Languages:
Cantonese and English

Time zone:
GMT + 8 hrs

Central bank:
Hong Kong Monetary Authority (HKMA) (regulator)

Gross domestic product:
380bn total (1st Qtr 2009)

Inflation rate (consumer prices)
1.3% (May 2009)



HSBC 
The world's local bank

Clearing Systems and Payment Instruments

- There are three payment settlement types operating within the local clearing environment: real-time gross settlement (RTGS) payments, paper cheque clearing and electronic clearing.

Clearing system	Comments
RTGS payments: HKD, USD, euro (EUR) and RMB	<ul style="list-style-type: none"> Clearing House Automated Transfer System (CHATS) payments are interbank electronic payments settled on a RTGS basis, i.e. as opposed to end-of-day net settlement. RMB RTGS is limited to settlement of RMB bond-related transactions only. RTGS provides payment-versus-payment (PVP) settlement for foreign exchange trades to mitigate settlement risk. PVP settlement currencies include HKD, USD, EUR and also between USD and ringgit. CHATS is operated by Hong Kong Interbank Clearing Ltd (HKICL), a company jointly owned by the HKMA and the HKAB. One-way clearing of RMB cheques drawn on banks in Hong Kong and presented to banks in Guangdong Province including Shenzhen.. And also a one-way clearing for HKD cheques drawn on banks in Hong Kong and presented to banks in Macau
Paper cheque clearing: HKD, USD and RMB	<ul style="list-style-type: none"> Cheque image presentation for clearing is used for cheques below HKD100,000. Settlement of cheques is on a D+1 basis. (D being the cheque deposit date). In Hong Kong, cheque clearing is available for HKD, USD and RMB cheques. RMB local paper cheque clearing is limited to settlement of RMB bond-related transactions only and for personal accounts only. Two-way cross-border cheque clearing between Hong Kong and the Guangdong/Shenzhen area of mainland China exists for HKD and USD cheques (Hong Kong/Shenzhen only for USD cheques). RMB cheques require a one-way cross-border clearing drawn against an RMB personal account in Hong Kong.
ECG (electronic clearing)	<ul style="list-style-type: none"> Various types of low-value electronic payments are cleared and settled via the clearing house on a bulk clearing basis. ECG items include autopay (autodebit and autocredit instructions), EPSCO (point of sale payment), CCASS (securities and custody settlement) and JETCO (interbank payments) items. ECG is available for both HKD and USD, but USD ECG is for CCASS settlements only.

Banking System and Bank Accounts

- The Hong Kong Monetary Authority (HKMA) is the government authority in Hong Kong Special Administrative Region (SAR) responsible for maintaining banking and monetary stability.
- Hong Kong has one of the highest concentrations of banking institutions in the world; 69 of the 100 largest banks globally have operations there. As of December 2006, there were 202 authorised institutions operating a network of 1,313 local branches.
- The following types of bank account are currently available:

Account type	Local current ¹	Local savings	Foreign current ¹	Foreign savings
Resident	Yes	Yes	Yes ¹	Yes

Australia Bangladesh Brunei **Hong Kong SAR** India Indonesia Japan Korea Macau SAR Malaysia
 Mauritius New Zealand People's Republic of China The Philippines Singapore South Africa Sri Lanka Taiwan Thailand Vietnam

Non-resident	Yes	Yes	Yes ¹	Yes
Credit interest	No	Yes	No	Yes

1. Only US dollar (USD) cheque books are currently available due to Hong Kong Association of Banks (HKAB) rules. Renminbi (RMB) cheque books are for personal customer accounts only and used solely for purposes related to RMB bonds transactions.

Cash management products and services at a glance*

ACCOUNT SERVICES	TRANSACTION MANAGEMENT		LIQUIDITY MANAGEMENT
	PAYMENTS	COLLECTIONS	
<ul style="list-style-type: none"> • Current Account • HKD Enhanced and CombiNations Statement Savings Accounts • Money Market Statement Savings. • Time Deposit Accounts 	<ul style="list-style-type: none"> • Electronic funds transfer <ul style="list-style-type: none"> - Local transfer: <ul style="list-style-type: none"> ▫ RTGS (same day) ▫ ECG (next day)² - Telegraphic Transfer • Direct Credit <ul style="list-style-type: none"> - autoPay-out • Paper-based instruments <ul style="list-style-type: none"> - Cheque Outsourcing (COS) - Demand Draft/Cashier's Order • Payments Advising/Get Rate Service • Cards <ul style="list-style-type: none"> - Corporate card - Purchasing card 	<ul style="list-style-type: none"> • Electronic funds transfer <ul style="list-style-type: none"> - Alliance Counters - autoPay-in (direct debit)³ - Bill payment through PIB/BIB, phone and ATM • Paper-based instruments <ul style="list-style-type: none"> - Retail Lockbox and Wholesale Lockbox cheque collections - Xpress Collection courier pickup service - Foreign currency cheque purchase and collection - Cheque Deposit Machines • Receivables Management System <ul style="list-style-type: none"> - Online collections inquiries - Consolidated reporting on: <ul style="list-style-type: none"> ▫ Collections ▫ Good funds ▫ Returned cheques - Auto account reconciliation (collections and invoice matching) - Receivables advising to payor and payee via SMS/email/fax 	<ul style="list-style-type: none"> • Overdraft facilities • Pooling (HKD/foreign currency; in-country; resident/non-resident)¹ • Sweeping (HKD/foreign currency; in-country/cross-border; resident/non-resident)¹

* Payment services are supported via HSBC*net*, HSBC Connect, BIB (Business Internet Banking) and PIB (Personal Internal Banking).

¹ Only single currency is allowed in one pooling or sweeping structure.

² BIB and PIB only.

³ HSBC*net* and HSBC Connect only.

Legal, Company and Regulatory

English common law and rules of equity form the basis of the legal system in Hong Kong. As specified in the Basic Law, the common law, rules of equity, ordinances, subordinate legislation and customary law previously in force before July 1997 have remained unchanged, except for any that contravene the Basic Law, and are subject to any future amendment by the legislature of the Hong Kong SAR.

Liquidity, Currency and Tax

- Hong Kong is relatively relaxed in terms of regulation of liquidity management; single currency, multi-currency, cash concentration and notional pooling are all permitted. There are no restrictions on foreign exchange and currency movements.

Australia	Bangladesh	Brunei	Hong Kong SAR	India	Indonesia	Japan	Korea	Macau SAR	Malaysia
Mauritius	New Zealand	People's Republic of China	The Philippines	Singapore	South Africa	Sri Lanka	Taiwan	Thailand	Vietnam

- However, careful tax efficiency considerations should be reviewed, with particular regard to the physical movement of funds among legal entities with onshore accounts. Due to the absence of withholding tax in Hong Kong's taxation frameworks, inter-company interest income sourced from an onshore account might be taxable and interest payments might not be tax deductible. As a result, cross-border movement of funds with offshore legal entities is generally preferable, as the receipt of interest income offshore is not likely to be subject to tax. (Obtaining independent advice on the accounting, tax, and legal consequences of entering into any liquidity management arrangement is recommended.)
- The standard rate of corporate profits tax is currently 17.5%.
- Popular investment instruments for short-term HKD liquidity are time deposits and money market savings accounts.

Market Watch

- The HKMA is currently driving a number of initiatives as regards local clearing. This includes the implementation of SWIFTNet (the messaging system of the Society for Worldwide Interbank Financial Telecommunication – SWIFT), which will replace the existing proprietary CHATS clearing messages with SWIFT messages in 2009. Ultimately, this initiative will also replace host-to-host links with Internet-protocol-based connections between clearing member banks and HKICL. These changes will streamline processing and improve straight-through rates through the use of a standard message format, as well as improving network resiliency and dispensing with the need to maintain legacy applications.
- Other local clearing developments include:
 - RTGS service availability in USD and EUR on Hong Kong public holidays for bank-to-bank payments; and
 - The introduction of additional settlement for autocredit by HKICL in November 2009.
- In addition, there are ongoing discussions between the HKMA and the central banks of other countries/regions (including mainland China, the Middle East and various East Asian countries) regarding the feasibility of establishing links between the RTGS systems of these countries to facilitate settlement activities across the region.

Contacts

Mr Michael Velez

Senior Vice President, Global Payments and Cash Management, Asia-Pacific, HSBC

Level 23, 1 Queen's Road Central, HSBC Main Building, Hong Kong

Tel: (852) 2822 4356

Fax: (852) 2899 8826

E-mail: michaelvelez@hsbc.com.hk

Banking hours:

Mon – Thu

8:30am – 5:30pm (office hours)

9:00am – 4:30pm (business hours)

Fri

8:30am – 5:30pm (office hours)

9:00am – 5:00pm (business hours)

Sat

9:00am – 1:00pm (business hours)

* Branches will also provide counter services, except those involving clearing and settlement of funds through cheques, autoPay, inter-bank electronic fund transfers or time deposit transactions.

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